AIR POUCH (With Unclassified Sections)
PRIORITY (Security Classification)

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA DESP. NO. 478 511.790001-1181

TO : THE DEPARTMENT OF STATE, WASHINGTON. DATE December 4, 1953

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	ACTION	DEPT.
For Dept. Use Only	OLI-10	REP-1 DC/R-2 TI-3 IPS-1 IBS-2 ARA-2
	REC'D 12/7	OTHER NAVY-34 CIA-10 CoB-1 CUSO-2 TR-3 AG-5 ARMY-35 AIR-10 OSD-2 FRB-2 TAR-2 NIB-3

SUBJECT: WEEKA NO. 49 - ECONOMIC SECTION

SECTION II

Project for Founding of National Industrial Bank (Unclassified)

As a basic element in its drive to promote Guatemalan "economic independence", the Guatemalan Government recently prepared and transmitted to the national Congress a decree providing for the establishment of the Industrial Bank of Guatemala. The local newspaper Prensa Libre of December 4, 1953, reported that in his message transmitting the project to Congress, the Sub-Secretary of Economy and Labor observed that "the Executive Organism considers that the establishment of an Industrial Bank is essential to the harmonious development of the different sectors of the national economy and will contribute to raising the standard of living of Guatemalans and avoiding the fluctuation in prices and demands for agricultural products whose exploitation leaves the national economy very vulnerable to the influences of international commerce".

The Government recommends that the bank be established with an initial capital of $2,000,000 to be increased by $2,000,000 each successive year until the bank has accumulated a total capital of $10,000,000. The project provides that these funds be raised through a bond issue which is to be amortized with the proceeds from a tax to be levied on income. The bank is to make short-term loans, up to one year, to cover raw materials and labor in producing finished goods, and long-term loans, up to six years, for the purchase of machinery, equipment and other fixed installations. The first type of loan may be made up to 60% of the total value of the investment and the latter type up to 50%.

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This bank will be designed to assist in founding new industries and in developing existing ones, and it is quite possible that certain industrialists will be willing to expand or operate their plants with money borrowed from it. However, there appears to be no reason to believe that anything which this bank may do will offset to any significant degree the falling rate of investment in the country resulting from the general unwillingness of Guatemalan industrialists to invest their money here under existing circumstances.

End Restricted

Additional Tax on Imported Liquors (Unclassified)

As another step in the Government's joint drive to protect local industry and to increase revenue, President Arbenz on December 1, 1953, approved Congressional Decree 1029 substantially raising duties on imported alcoholic beverages. This decree increased the duty on bottled spirituous liquors and liqueurs from $2.50 per gross kilo to $3.50; on wines from $0.30 per gross kilo to $0.60; on beer in glass bottles from $0.20 to $0.40 per gross kilo and on beer in other containers from $0.40 to $0.50. The proponents of this law in Congress advocated it primarily as a means of reducing competition for local breweries and rum distilleries, and only secondarily as a revenue measure, although the Government has of late shown great interest in developing new sources of revenue. It is doubted, however, that either local industry or the National Treasury will receive a great boost from the implementation of this decree, since total imports of these liquors were valued at only $545,447 in 1952.

For the Ambassador:

William L. Krieg
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